

Saguache County Credit Union

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March 2, 2010

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Ms. Rupp,

I am the CEO of the Saguache County Credit Union located in the San Luis Valley of Colorado. We are a \$20 million "Low-income Community Development Credit Union with 3,500 members and three branches.

We are located in a rural area in southern Colorado and are dependent in many ways on our corporate credit union, SunCorp. Our size limits our ability to negotiate competitive pricing for the services we receive from SunCorp. These services include Overnight funds, Settlement services (Draft & ACH) and Lines of Credit. Increased processing fees, increased cost of borrowing and decreased investment yields would have a definite effect on our net income. In our small rural marketplace which has never been served by for-profit institutions, we have limited choices in financial service providers. We, therefore, require a corporate credit union system that is multi-tiered, multi-institution, full service, member driven and member governed.

The following is vitally important to the Saguache County Credit Union and to other Natural Person Credit Unions (NPCU).

1. Preserve the ability of all corporates to offer any or all of the three core services (liquidity, payments services and conservative investments) in any combination that meets the needs of their member NPCUs.
2. Contain revised ALM procedures and liquidity management principles similar to those included in the proposed regulation. However, specific rules should be reevaluated to address unforeseen consequences and effects on competitiveness. i.e., testing not justified by the individual corporates holdings, limits on secured borrowing, member deposit limitations.
3. Require appropriate risk-weighted capital based on the assets held by the individual corporate. Only through properly balancing risk to capital can corporates be profitable and sustainable.
4. Allow only member NPCUs to hold contributed member capital in a corporate but allow corporates access to secondary capital. This requirement will insure member control and guidance of their corporate.
5. Permit investment options to corporates beyond those of Regulation 703. Only through this increased authority can corporates offer enough return

to attract deposits.

6. Require NPCUs to have contributed member capital in a corporate to receive services. Members of the NPCU through their member-elected Board of Directors should decide the nature and extent of this capital requirement. This will preserve the cooperative spirit of our industry in the corporate system.
7. Permit only representatives from member NPCUs to serve on the Board of Directors, however, representatives should not be limited by title or relationship to the member NPCU. Requiring an 'outside' director would only convey a lack of confidence by the NCUA in credit union professionals.
8. Be principle and goals based and not rules based focused on preventing individual and as of yet, not fully understood events of the past. This will allow for flexibility in a changing economic environment and adjustments to unforeseen circumstances.
9. Embrace the basic economic principle that some risk is desirable because it is only through exposure to risk that economic returns can be realized.

It is also vitally important to the Saguache County Credit Union and to other Natural Person Credit Unions (NPCU) that the following do not exist in our credit union environment.

1. Rules changing the current fields of membership. Allowing NPCUs to choose a corporate based on the products and services a corporate offers will promote diversity and competition in the system and is therefore more productive than geographic based fields of membership.
2. Provisions that exacerbate the exodus of larger credit unions from the corporate system. i.e., member deposit limitation, rules on early certificate redemption.
3. Capital requirements that come from an industry and business model with authorities not granted to corporate credit unions.
4. Unjustified limitations on products and services that inhibit innovation and diversity. i.e., restriction on CUSO investments and development.
5. Any barriers to corporates continuing to have the option of being full-service, primary financial institutions for their member NPCUs. Chairman Matz reiterated this when she stated '... the future of the corporate system will depend on the needs and support of the natural person credit unions they serve.'

To insure all stakeholders can properly comment on any regulation dealing with the corporate system, the following information must be made publicly available:

1. Complete details on NCUA's plans to deal with legacy assets, both securities and CUSO investments. This plan should include details on the accounting treatment for unrealized and actual gains on legacy assets. Any actions dealing with legacy assets should be carefully considered so that unrealized losses do not quickly become realized by flooding the market with already distressed instruments. Outright and untimely sales will only make a few investment brokers wealthy. Restrictions on CUSO

investments and involvement should be carefully reconsidered on diversity and competitive considerations.

2. Additional examples of sufficiently profitable business models. These new models must:
 - a) not rely too heavily on an inappropriate investment choice for corporate credit unions as does the NII model presented starting on page 99. The Private Student Loan ABS consists of small par value, illiquid, heavily credit risk laden choices in a very small market place.
 - b) must allow for the cost of capital. NPCUs will not just give their corporates capital. Appropriate and properly manage risk must be allowed to generate sufficient return to attract and retain new capital.
 - c) must contain assumptions that are consistent throughout the regulation. This consistency can best be achieved in a principle and goals focused regulation.
3. All information relating to the corporate stabilization program and the decision process leading to the conservatorship of US Central and WesCorp. This information is vital to constructing principles to mitigate the consequences of similar future events.

In light of the large number of comments and Chairman Matz's statement on 10/19/2009 that the proposed rule is an 'unprecedented effort on NCUA's part to solicit and incorporate broad stakeholder input', I suggest the following steps before the regulation is released in its final form:

1. Engage an industry encompassing task force to jointly evaluate the comments and the redraft of the proposed regulation with NCUA staff. This task force must include proper representation from NPCU professionals, corporate credit union professionals, state regulators and professionals involved in the capital markets.
2. Weigh all comments based on the author's involvement in and need for the corporate system. Credit unions isolated by assets, geography and philosophy may not fully appreciate the needs of our entire industry.
3. Release the redrafted proposed regulations for a second comment period. The duration of this second comment period should be based on the complexity and length of the redrafted proposal.

Thank you for your consideration.

Sincerely,



Richard Wertz
CEO